

## MEXICO READINESS PREPARATION PROPOSAL

### SUMMARY OF TECHNICAL ASSISTANCE PROVIDED BY THE BANK TEAM THROUGH MARCH 2010

#### Strategic Context

*Describe the link between the proposed REDD Readiness Program and the Country Partnership Strategy, and operations managed or planned by the Bank.*

Mexico's National Development Plan (2007-2012), and the World Bank's Country Partnership Strategy for Mexico (2008-2013) both highlight the importance of assuring environmental and social sustainability. Among the key issues of concern for Mexico in terms of environmental sustainability are greenhouse gas emissions and deforestation. Mexico proposes to ensure social sustainability in the REDD Readiness Program by involving forest-based communities and Indigenous Peoples as key stakeholders.

#### Technical Assistance Provided by the Bank

*Record the assistance and/or comments on R-PP drafts provided by Bank staff to the REDD Country Participant and if and how this assistance helped shape the R-PP and if and how these comments were taken into consideration in the latest R-PP submitted by the REDD Country Participant. Please point to possible disagreements between the REDD Country Participant and the Bank.*

The Bank Team has been involved in reviewing and providing feedback on drafts of the Mexico Readiness Preparation Proposal since August 2009. Bank staff based in Mexico have been in particularly close contact with the national team during the development of the R-PP. Both Washington and field-based staff have participated in missions with CONAFOR, the main agency conducting the preparation work. Video and teleconferences have also facilitated exchanges.

Although the Bank Team is pleased with the overall progress in the development of the proposal for REDD Readiness as presented in Mexico's R-PP, there is still room for its improvement prior to being considered for funding. The proposed approach to preparing for Readiness as reflected in the R-PP seems sound. Moreover, consultative processes are being employed by the government to move readiness preparation forward within the country. An additional mission will be conducted by the Bank to review the proposed due diligence arrangements. The field work will be accompanied by an internal Bank review to ensure the proposed arrangements are satisfactory.

A summary of the requested enhancements to Mexico's R-PP document are as follows (a copy of detailed comments are available on request):

#### National Readiness Management Arrangements

The composition, roles and relationships between the groups and institutions described in Component 1a (REDD-WG, CONAFOR's PIU, CICC) should be more explicit. Additional clarity is needed regarding the involvement of other governmental agencies (including the *Comisión Nacional para el Desarrollo de los Pueblos Indígenas* and the *Comisión de Derechos Indígenas*). Clarifications are also needed relative to the involvement of non-governmental stakeholders, particularly the REDD-WG, the proposal for creating inter-sectoral alliances (including those for Indigenous Peoples' organizations), rural communities, farmers, forest producers, etc. The R-PP should elaborate more on specific activities and funding needed to support management arrangements from a governance, institutional and sustainability perspective.

#### Consultation Plan

The current consultation plan identifies many government stakeholder groups, environmental NGOs, consultants, and financing institutions. However, it should be more explicit regarding plans for consulting communities living in and around forested areas (e.g. rural and forest communities, Indigenous Peoples, small producers, etc.). Consultations with these groups need to be conducted in culturally appropriate ways. Due to the diversity of stakeholder groups, the consultation plan will require a range of different approaches tailored to the needs of each.

#### Drivers of deforestation and forest degradation

Component 2a provides useful information regarding the causes of deforestation in Mexico. However, this information should be presented in a more systematic manner, for example, by focusing on the most important drivers of deforestation and variations between geographic regions.

In addition, the R-PP could benefit by clarifying that studies are needed to conclusively determine the direct drivers and their relationship with socio-economic factors. While it is not expected that the country will have all the information required concerning drivers of deforestation at this stage, the R-PP should provide an assessment of information gaps, and a strategy for the analyses needed to cover them. Such analyses may include, *inter alia*, macroeconomic factors, the policy and regulatory environment, industrial and infrastructure development, urban expansion, tourism, governance, subsidies, and incentives. In addition, an assessment and lessons learned from past efforts to control deforestation would be valuable.

#### Proposed strategies to reduce emissions from deforestation and degradation.

The proposed REDD strategies presented in the table in Component 2b do not register sufficiently with the drivers of deforestation presented in the text. As the proposed strategies center on the forest sector and activities linked to payments for environmental services, it is likely that approaches outside the forest sector have not been given sufficient attention. The readiness proposal should ensure that proposed strategies to ameliorate deforestation are cross-sectoral.

#### Land tenure and resource rights.

The R-PP should clarify the social aspects and resource rights for the REDD Strategy, and elaborate further on how land rights and rights to natural resources of local communities will be recognized under the proposed REDD strategy. For example, the strategy presently covers land use but not natural resources use (and restrictions). In particular, the rights of Indigenous Peoples will need particular attention as per Mexico's obligation to the ILO Convention 169, concerning the right to free, prior and informed consent, which will need to be acquired at the end of the readiness preparation phase (the consultation plan for Indigenous Peoples will need to be designed to achieve this objective).

The R-PP should propose ways to clarify local forest communities' entitlements to benefits and revenue sharing from possible REDD proceeds and carbon rights, including a consultative process to arrive at a mutually-agreeable arrangement.

#### Legal framework.

The R-PP should clarify if the proposed REDD approach (payments to offset opportunity costs in high deforestation risk areas) will be available alongside voluntary and project-by-project payments already underway or possibly available in the future – or at least identify this issue for further examination.

#### Strategic Environmental and Social Assessment (SESA)

Detailed terms of reference (ToR) for the SESA should be drafted and consultation conducted with key stakeholders to gather feedback on them before they are finalized. If not included in other components, the ToRs for the SESA should include preparation of socioeconomic profiles of local communities and Indigenous Peoples; land tenure survey; land tenure conflict and conflict resolution mechanism; legal and

### **Interim Summary of Technical Assistance Provided by the Bank Team**

policy review; review of federal and state policies related to forestry, natural resource management and conservation; and a review of pertinent international agreements signed by the Mexican government (including ILO convention 169).

The R-PP should identify specific Bank's environmental and social safeguard policies that are expected to be triggered. In accordance with World Bank safeguard policies, during the Readiness preparation phase an Environmental and Social Management Framework (ESMF) will be prepared.

#### Reference Scenario

Component 3 is technically strong from a forestry/biological perspective. It could benefit from more consideration of how socio-economic data will be incorporated into the projections of deforestation and degradation rates. It would also be useful to include a summary of the past forest inventories and their possible application to the development of the reference scenario, and a clarification of whether the methodology will be wall-to-wall or employ statistical sampling.

#### Monitoring, Reporting and Verification System

Component 4a is strong from a technical perspective. Yet, it could benefit by clarifying if the REDD MRV system will be based on the existing National Forest Inventory system, with possible enhancements as discussed in the R-PP. There is no discussion of monitoring forest degradation, which might be especially beneficial in the context of Mexico's potential for improved forest management. The R-PP does not include Component 4b, Monitoring of Other Benefits and Impacts, which would be a valuable addition.